

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

**Modification of Mail Classification
Regarding First-Class Mail
Single-Piece Residual Price Table**

Docket No. MC2013-30

COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE

Pursuant to Commission Order No. 1639, the Association for Postal Commerce ("PostCom") hereby submits these comments to respond to the U.S. Postal Service's filing related to First-Class Mail Single-Piece Residual.

In its most recent pricing filing, the Postal Service attempted to clarify on the record its process for determining what qualifies for Commercial Residual Single-Piece First-Class Mail (FCM). The Postal Service continues to move in a direction that the mailing industry cannot support. Therefore, PostCom believes that the Commission should simply reject the classification change the Postal Service has proposed in this Docket but should leave the already approved Residual Rate Category in place exactly as it is. Although we do not think it advisable or appropriate for the Commission to become involved in development of implementation rules, it can and should encourage the Postal Service to do what it should have done before this category was created: work with the mailers to come up with a set of policies to implement what is conceptually a sound approach to the handling of residual pieces.

The Postal Service has been working with the industry on the issue of residual mail through the MTAC Task Team #21. These discussions grew out of a desire on the

part of mailers to simplify the mail entry process by allowing residual pieces to accompany a presort mailing. While mailers did not ask for a specific price for residual pieces, the Postal Service nevertheless proposed such a price in an effort to respond to these concerns. In its Notice of Market Dominant Price Adjustment, the Postal Service explained the problem faced by mailers and how its new price was designed to solve this problem:

This proposal solves a logistical problem for bulk mailers and mail service providers As a result of [the free second ounce presort rate], mailers were preparing mailings with the 1 ounce and 2 ounce pieces combined [F]or the residual pieces that did not end up in the presort stream, additional work was required to separate out the 1 and 2 ounce pieces to accurately calculate the postage. The proposed uniform price will allow the mailers to pay postage for these pieces without having to go through the trouble of separating the 1 and 2 ounce pieces. . . . This 48-cent price is applicable to all the residual pieces weighing up to 2 ounces.”

United States Postal Service Notice of Market-Dominant Price Adjustment at 15-16, Docket No. R2013-1 (Oct. 11, 2012).

While this proposed price did not precisely address the concerns raised by mailers, the price as proposed and explained by the Postal Service would at least ameliorate some of the issues presented by residual mail. But as PostCom and the Association for Marketing Service Providers explained in their earlier comments in this docket, and as the Chairman seemingly recognized in Chairman’s Information Request No. 1, the Mail Classification Schedule language the Postal Service proposed in this docket radically altered the applicability of the price proposed by the Postal Service. Unfortunately, the newly revised MCS language the Postal Service provided in response to CHIR No. 1 only clarifies that the new proposal is not a “minor” classification change and that the Postal Service has effectively filed a new rate.

In R2013-1, the Postal Service claimed the rate it was proposing would be “applicable to all the residual pieces weighing up to 2 ounces.” Notice of Market-Dominant Price Adjustment at 16. The Postal Service has now confirmed, however, that the 48-cent rate will not, in fact, apply to “all the residual pieces weighing up to 2 ounces.” Rather, if the residual pieces from a mixed mailing are all greater than one ounce, they will pay 66 cents per piece. *See* Postal Service Response to CHIR No. 1, Question 6 (“Pure two-ounce residual pieces from a mixed-weight Presort mailing would pay the Single-Piece retail rate of 66 cents.”). Consequently, under the revised MCS language proposed in this docket, it is simply not true that the 48-cent rate will apply to “all the residual pieces weighing up to 2 ounces.” The MCS language does not implement the price the Commission approved in R2013-1.

Moreover, the residual language as proposed by the Postal Service does not hold up logically. If the presort mailing is entirely 2 ounces, the residual pieces will pay 48 cents. This rate will apply even if the residual is entirely 2 ounces. But if the presort is mixed, a purely 2 ounce residual will pay 66 cents. There is no rational basis for distinguishing between these two scenarios. Additionally, if there is even one piece of 1 ounce mail in the residual to a mixed presort mailing, that residual is eligible for the 48-cent rate. USPS Response to CIR No. 1, Question 3.b. The Postal Service states that such a scenario “is not expected” and that “it is expected that residual pieces will be split between 1-ounce and 2-ounce pieces in proportion to the ratio of 1 and 2 ounce pieces in the Presort mailing.” *Id.* It has provided no evidence, however, for why these expectations should hold true. More importantly, it has presented no evidence for its belief “that it is highly unlikely that a mixed-weight Presort mailing would generate only

two-ounce residual pieces.” USPS Response to CHIR No. 1, Question 7. Without evidence to support the distinctions it has drawn between mailers, the Postal Service’s proposed MCS language arbitrarily and discriminatorily punishes mixed-weight Presort mailers whose mailings result in a pure two-ounce residual.

The Postal Service has also failed to present any evidence that its expressed concern that “mixed-weight Presort mailers will seek to separate their one-ounce residual pieces from their two-ounce residual pieces, thus paying 46-cents for the one-ounce residuals . . . and improperly attempting to pay 48 cents for the remaining (two-ounce) residuals presented with the Presort mailing” is realistic. USPS Response to CHIR No. 1, Question 9. After all, the residual price was created specifically because mailers did not want to separate their residual pieces by weight and enter the pieces on separate mailing statement. In fact, the Postal Service recognized the reluctance of mailers to separate mail in this fashion when explaining why mailers would be unlikely to separate mixed residual mail with a heavy percentage of one-ounce pieces to take advantage of the 46-cent rate for 1-ounce single piece mail. *See* USPS Response to CIR No. 1, Question 4. Thus, the Postal Service is both concerned that mailers will attempt to game the residual prices and assured that they will not do so due to the effort and expense involved.

Accordingly, the Commission should reject all versions of the MCS language presented by the Postal Service in this docket and allow mailers and the Postal Service to resume working together to craft language that would effectively implement the rate change the Commission has already approved. The Postal Service’s mission is to facilitate the use of mail for information and commerce. PostCom’s opinion is that anything that impedes that mission or frustrates the ability of mailers to use mail only

increases the burden facing the Postal Service. PostCom is confident that working together, the Postal Service and the mailing industry can develop implementing language that will ensure the residual rate will operate as intended, simplify the process of entering presort and residual mailings, and encourage the growth of First-Class Mail volumes.

Alternatively, if the Commission does not reject the filing, it should direct the Postal Service to file new language that applies the 48-cent rate to all residual mail of up to 2 ounces, including purely 2-ounce residual mail accompanying a Presort mailing of 1- and 2-ounce pieces.

Respectfully submitted,

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